

August 11, 2000

TO: Senator Sid Snyder, Chair
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director, DOR
Marty Brown, Director, OFM

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: AUGUST 10, 2000 REVENUE COLLECTION REPORT

General Fund-State tax receipts in the July 11 – August 10 collection period were \$4.1 million above the estimate. Higher than anticipated estate, real estate excise and leasehold excise tax payments accounted for most of this month's positive variance. Revenue Act (sales, B&O, use, and public utility taxes) sources were close to but a little below the estimate for the month. Despite the small variance this month, total General Fund-State receipts are \$27.7 million above expectations for the two months since the June forecast due to last month's strong showing. Economic data continue to indicate a strong economy with mixed signals as to whether or not growth is really slowing. Tax receipts also indicate a healthy economy that for now has generated a little more revenue than assumed in the June forecast.

Revenue Act collections in the July 11- August 10 collection period were \$1.2 million below the forecast, the first Revenue Act shortfall in four months. Collections this month primarily reflect June 2000 business activity of monthly taxpayers and April-June activity of quarterly filers. Revenue Act receipts this period were 0.1 percent below the year-ago level. However, the decline was entirely due to special factors, principally, an unusually large assessment payment a year-ago. Special factors aside, the growth in business activity as measured by Revenue Act tax payments was still only 3.7 percent above the year-ago level. Clearly, growth at least for this period is slower than in recent months. Revenue Act receipts were up 10.1 percent last month and have averaged 7.4 percent for the first six months of the year.

Economic data continues to be positive. Nationally, the July unemployment rate was 4.0 percent, the same as June and at a 30 year low. The growth of real output accelerated in the second quarter with real GDP increasing 5.2 percent compared to 4.8 percent in the first quarter. However, consumer prices as measured by the implicit price deflator rose at a moderate 2.3 percent annual rate in the second quarter as productivity growth posted a stronger than expected 5.3 percent gain. At the state level, June's unemployment rate was unchanged from May at 4.7 percent but it is 0.3 percent below the rate a year ago.

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Preliminary data on taxes paid during the July 11- August 10 collection period indicates some slowing in retailing and construction. Data show retailing growth less than five percent for the month. Within retailing, the general merchandise sector reported the largest increase while two sectors: building materials and miscellaneous retailers reported declines. The construction sector reported growth of 7.4 percent, although relatively strong, it is well below the double-digit increases posted by this sector for the last several months.

Non Revenue Act General Fund taxes collected by the Department of Revenue were \$6.4 million above the forecast in July and exceed the forecast by \$13.2 million for the two months since the June forecast. Higher than expected estate tax (primarily due to settlement of one very large estate), real estate excise and leasehold excise tax receipts more than offset weaker than expected property tax payments.

Real estate excise activity slowed in June from a strong May but was still a little stronger than we assumed in the June forecast. June 2000 real estate activity (closings in June reflecting payments to the state in July) was down 1.5 percent from a year ago, after increasing 11.0 the month earlier. Prior to May real estate excise activity had declined from the year-ago level for four of the past five months. For the calendar year-to-date real estate activity is unchanged from the first six months of 1999.

Other agencies' collections were \$1.1 million below the forecast in July and are \$7.7 million below expectations in the past two months. The Department of Licensing General Fund collections were \$1.2 million less than anticipated in July. Cumulatively, the Department of Licensing General Fund collections are \$1.1 million below the forecast. The Lottery's transfer to the General Fund was virtually right on the estimate for the month but cumulatively transfers are \$6.6 million less than the June forecast.

The attached Table 1 provides a comparison of collections with the June forecast for the July 11-August 10, 2000 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

TABLE 1
Revenue Collection Report
July 11 - August 10, 2000 Collections Compared to the June 2000 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
July 11 - August 10, 2000				
Department of Revenue-Total	\$872,433	\$877,648	\$5,215	0.6%
Revenue Act** (1)	794,259	793,092	(1,167)	-0.1%
Non-Revenue Act(2)	78,174	84,556	6,382	8.2%
Liquor Sales/Liter	6,656	7,214	558	8.4%
Cigarette	5,854	5,943	89	1.5%
Property (State School Levy)	14,857	9,712	(5,145)	-34.6%
Estate	6,467	11,275	4,809	74.4%
Real Estate Excise	37,438	39,879	2,442	6.5%
Timber (state share)	0	0	0	NA
Other	6,903	10,532	3,629	52.6%
Department of Licensing (2)	3,402	2,212	(1,190)	-35.0%
Lottery (2)	2,742	2,858	116	4.2%
Total General Fund-State***	\$878,577	\$882,717	\$4,140	0.5%
Cumulative Variance Since the June Forecast (June 11 - August 10, 2000)3				
Department of Revenue-Total	\$1,858,765	1,894,210	35,445	1.9%
Revenue Act** (3)	1,430,091	1,452,314	22,223	1.6%
Non-Revenue Act(4)	428,674	441,897	13,223	3.1%
Liquor Sales/Liter	14,033	14,192	159	1.1%
Cigarette	11,628	12,089	461	4.0%
Property (State School Levy)	294,012	290,128	(3,884)	-1.3%
Estate	12,395	18,128	5,733	46.3%
Real Estate Excise	68,859	76,683	7,824	11.4%
Timber (state share)	0	0	0	NA
Other	27,747	30,676	2,929	10.6%
Department of Licensing (4)	8,175	7,066	(1,109)	-13.6%
Lottery (4)	16,828	10,211	(6,617)	-39.3%
Total General Fund-State***	\$1,883,768	\$1,911,487	\$27,719	1.5%

1 Collections July 11 - August 10, 2000. Collections primarily reflect June 2000 activity of monthly taxpayers and April-June Activity of quarterly filers.

2 July 1-31, 2000 collections.

3 Cumulative collections, estimates and variance since the June forecast; (June 11-August 10, 2000) and revisions to history.

4 Cumulative collections, estimates and variance since the June forecast; (June & July 2000) and revisions to history.)

* Based on the June 2000 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
July 10, 2000 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
June 11 - July 10, 2000				
Department of Revenue-Total	\$1,017,535	\$1,017,535	\$0	0.0%
Revenue Act (1)	659,222	659,222	(0)	-0.0%
Non-Revenue Act(2)	358,313	358,313	0	0.0%
Liquor Sales/Liter	6,979	6,979	(0)	-0.0%
Cigarette	6,146	6,146	(0)	-0.0%
Property (State School Levy)	280,417	280,417	(0)	-0.0%
Estate	6,852	6,852	0	0.0%
Real Estate Excise	36,804	36,804	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	21,116	21,116	0	0.0%
Department of Licensing (2)	5,247	5,264	17	0.3%
Lottery (2)	7,353	7,353	0	0.0%
Total General Fund-State***	\$1,030,135	\$1,030,152	\$17	0.0%

Cumulative Variance: June 11 - July 10, 2000 & Revisions to History

Department of Revenue-Total	1,017,535	\$1,016,563	(\$972)	-0.1%
Revenue Act (3)	659,222	659,222	(0)	-0.0%
Non-Revenue Act(4)	358,313	357,341	(972)	-0.3%
Liquor Sales/Liter	6,979	6,979	(0)	-0.0%
Cigarette	6,146	6,146	(0)	-0.0%
Property (State School Levy)	280,417	280,417	(0)	-0.0%
Estate	6,852	6,852	0	0.0%
Real Estate Excise	36,894	36,804	(90)	-0.2%
Timber (state share)	0	0	0	NA
Other	21,116	20,144	(972)	-4.6%
Department of Licensing (4)	5,247	4,854	(393)	-7.5%
Lottery (4)	7,353	7,353	0	0.0%
Total General Fund-State***	1,030,135	\$1,028,769	(\$1,366)	-0.1%

P-Preliminary. Reported in the July 10, 2000 collection report.

R Revised data.

1 Collections June 11 - July 10, 2000. Collections primarily reflect May 2000 business activity of monthly taxpayers.

2 June 1-30, 2000 collections.

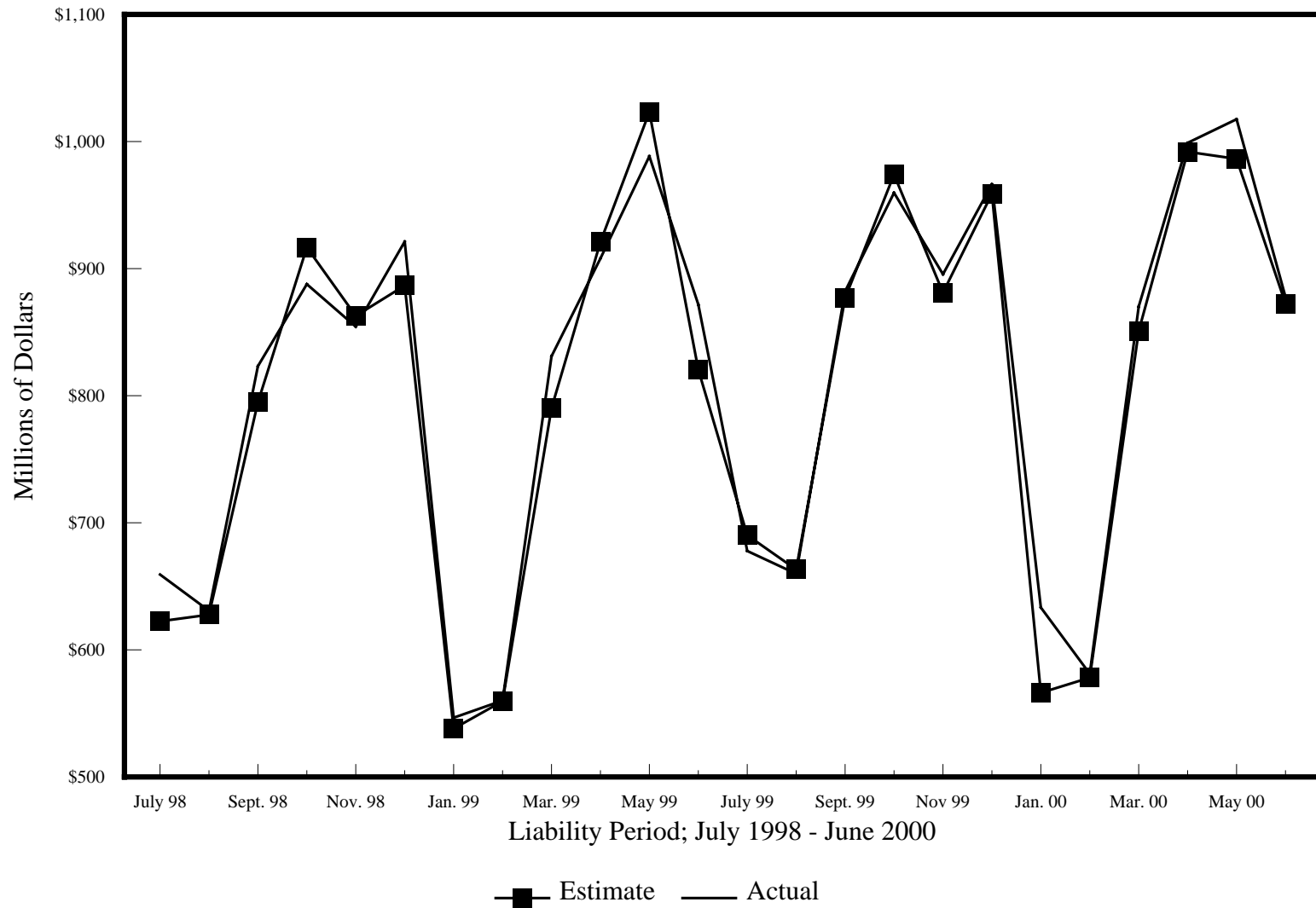
3 Cumulative variance for since the June forecast: June 11 - July 10, 2000 & revisions to history.

4 Cumulative variance: since the June forecast (June 2000) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

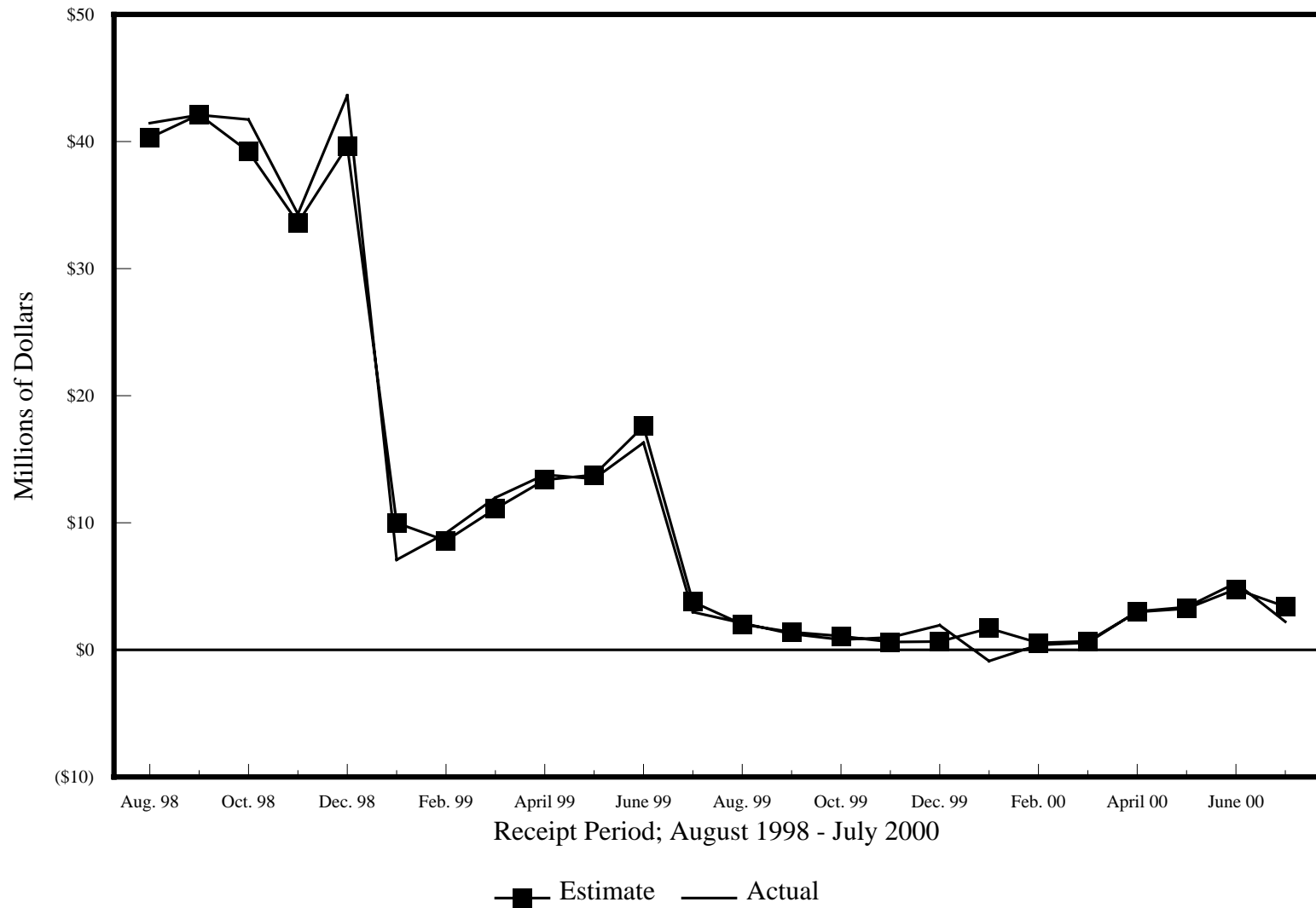
Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to June 2000



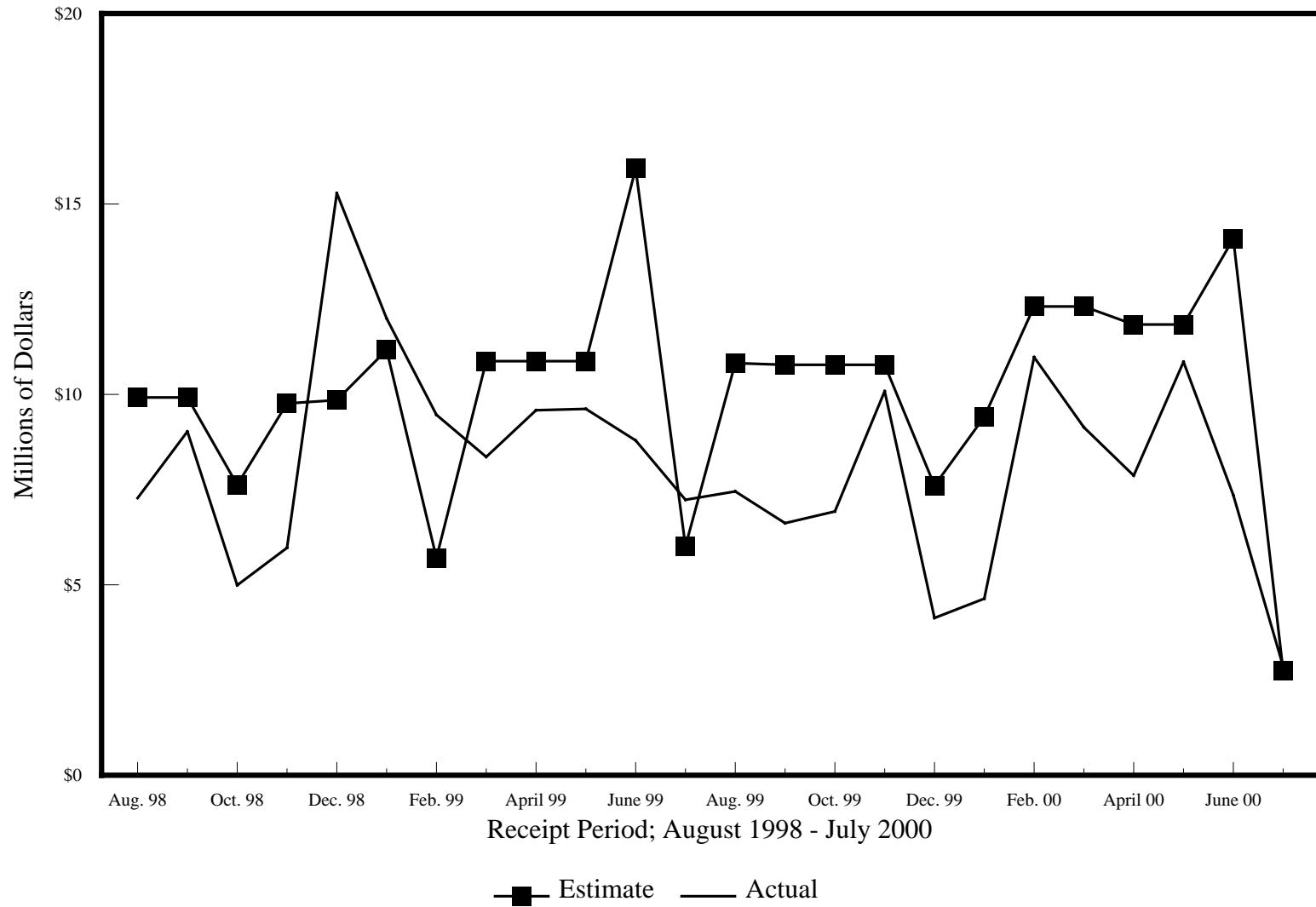
Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to July 2000



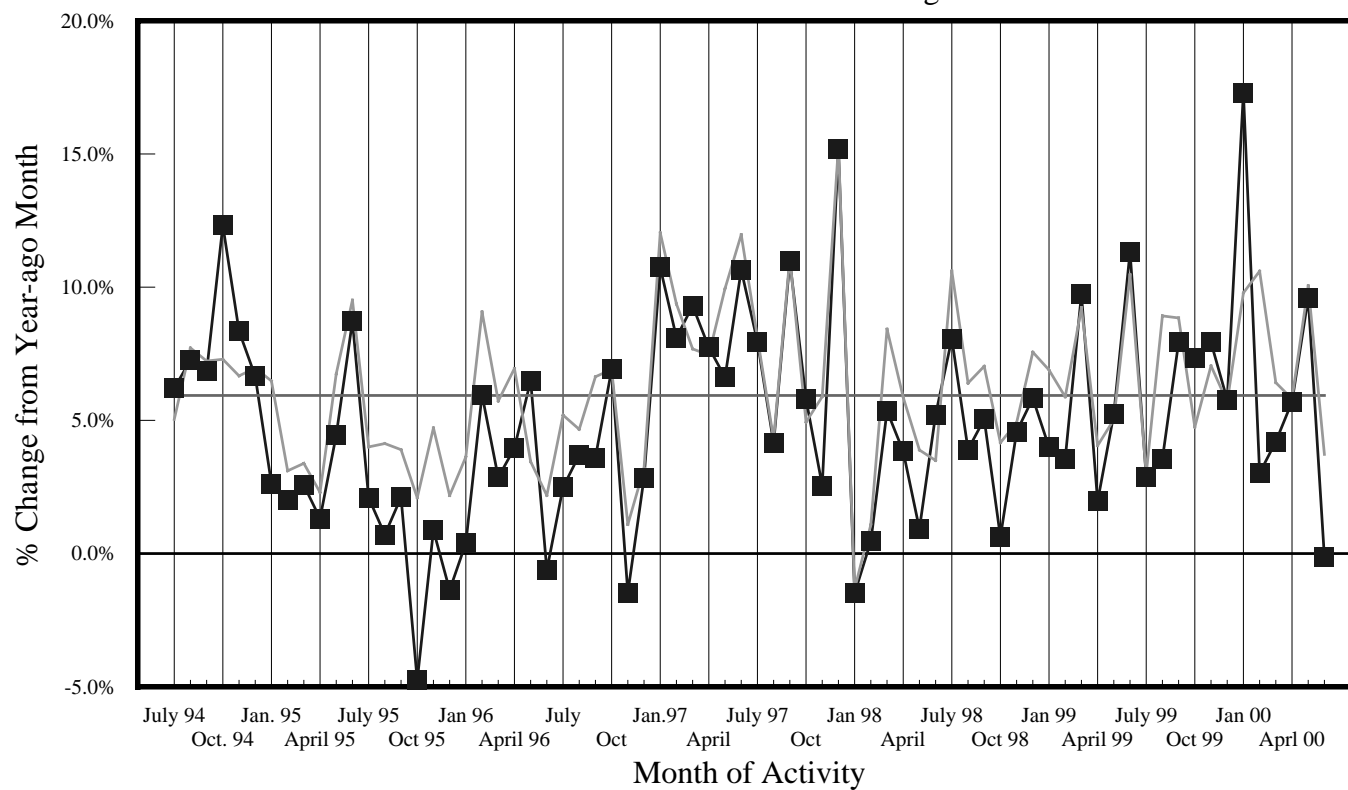
Lottery General Fund-State Transfers, Actual vs. Estimate

August 98 to July 2000



Revenue Act Net Collections

Year-over-Year Percent Change



■ %CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj. for Legislation)

— % Change from year-ago, adjusted for large audits & legislation